



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

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DEC 16 2004

Mr. Cecil J. Picard
State Superintendent of Education
Louisiana Department of Education
P.O. Box 94064
Baton Rouge, LA 70804-9064

Dear Mr. Picard:

This **Final Audit Report** (ED-OIG/A06-E0017) presents the results of our audit of the Title I funds administered by the Beauregard Parish School District (District), for the period July 1, 2001, through December 31, 2003. Our overall objective was to determine whether the District properly accounted for and used Elementary and Secondary Education Act of 1965, as amended¹ (ESEA), Title I, Part A (Title I), funds in accordance with applicable laws and regulations. Specifically, we determined whether: (1) Title I expenditures were allowable, approved, properly documented, and only used for Title I schools; (2) semi-annual certifications were obtained and retained for non-schoolwide employees; and (3) Title I funds were properly allocated.

We provided a copy of this report to the Louisiana Department of Education (LDE). In its response to our draft report the LDE disagreed with two of our findings and concurred with two other findings. We have summarized their comments after the recommendation sections of the report and have included the response as an Attachment.

BACKGROUND

The Title I program is authorized under the ESEA, as amended by Improving America's Schools Act of 1994, Public Law 103-382 and the No Child Left Behind Act of 2001, Public Law 107-110. Title I is the largest elementary and secondary education program, which supplements State and local funding for low-achieving children, especially in high-poverty schools. Part A of Title I provides financial assistance through State Education Agencies to local educational agencies (LEAs) to ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging State academic achievement standards and State academic assessments.

Title I funds may be used by LEAs for schoolwide or for targeted assistance programs. Under a schoolwide program, an LEA may consolidate and use Title I funds with other Federal, State, and local funds in order to upgrade the entire educational program of a school if not less than 40

¹ The No Child Left Behind Act of 2001 reauthorized the ESEA on January 8, 2002 and Improving America's Schools Act of 1994 reauthorized the ESEA on October 20, 1994.

percent of the children enrolled in the school are from low-income families. Federal funds consolidated in a schoolwide program lose their specific program identity and may be used for any costs of a schoolwide program. A school that is ineligible for a schoolwide program, or chooses not to operate a schoolwide program, may use the Title I funds only for the eligible children having the greatest need for special assistance.

In distributing funds to schools, an LEA must allocate to each participating school an amount for each low-income child. However, LEAs must initially reserve funds for homeless, neglected, and delinquent children, for qualified teachers, choice-related transportation, professional development, parental involvement, and capital expenses for private school children. LEAs also must report expenditures that were actually disbursed for goods and services and maintain adequate documentation of those disbursements.

In fiscal year 2003, the U. S. Department of Education allocated \$256 million in Title I funds to Louisiana's LEAs. The LDE requires districts to submit reimbursement claims for funds already expended for approval. During our audit period, Beauregard Parish disbursed \$1,983,549 to eight schools. Two of these schools were schoolwide program schools and the other six were targeted assistance schools during the first and second school year of our audit period. During the third school year there were three schoolwide and five targeted assistance schools. The amounts disbursed, by program fiscal year, were—

7/1/01 - 6/30/02	\$ 924,448
7/1/02 - 6/30/03	\$ 882,635
7/1/03 - 12/31/03	\$ <u>176,466</u>
Total	\$1,983,549

AUDIT RESULTS

The District generally accounted for and used Title I funds in accordance with applicable laws and regulations. However, our audit disclosed that the District (1) did not have the semi-annual certifications for the targeted assistance Title I employees for both terms of the 2001-2002 school year; (2) did not properly allocate funds to Title I schools during the 2003-2004 school year; (3) requested payment in 2002-2003 school year for \$8,817 in salary and benefits for an employee they believed worked 100 percent of the time for Title I, but the employee only worked 50 percent; and (4) requested a duplicate payment of \$16,908 for equipment.

FINDING NO. 1 – Semi-Annual Certifications Were Not Completed for the 2001-2002 School Year

The District did not have the semi-annual certifications for the targeted assistance Title I employees for both terms of the 2001-2002 school year.² The unsupported amounts consisted of \$473,453 for payroll costs, an estimated \$58,173 for fringe benefits costs, and an undetermined amount for State Group Health Insurance provided to the employees.³ This condition occurred

² Schoolwide programs are exempt from certification procedures.

³ The District paid a total of \$8,794 in State Group Health Insurance for all employees during this school year.

because the District was not aware that semi-annual certifications were required for all targeted assistance Title I employees until a meeting in November 2003. At that time, the District established procedures to obtain semi-annual certifications. They obtained semi-annual certifications for the first term of the 2003-2004 school year and both terms for the 2002-2003 school year. As a result of not obtaining the 2001-2002 school year semi-annual certifications, the Department of Education could not ensure that all expenditures were for Title I employees.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment B, Paragraph 11.h.3.* (1997) provides that—

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

RECOMMENDATION

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the LDE to—

- 1.1 Require Beauregard Parish to provide sufficient documentation to support \$531,626 plus the portion of State Group Health Insurance for each targeted assistance employee or refund that amount to the Department of Education.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

The LDE disagreed with our finding and recommendation although they acknowledged that Beauregard Parish did not obtain semi-annual certifications as required for the targeted assistance Title I employees. The LDE stated, “The District employees at issue in this finding have reviewed their records, including calendars, e-mails, notes, correspondence, time records, task surveys, reports, and other grant-related documents. Based on these records they have verified that they spent 100% of their time on Title I activities and have signed affidavits to that effect.”

OIG'S RESPONSE

After reviewing the LDE's response, we did not change our finding or recommendation. The LDE provided after-the-fact certifications. However, the documents provided were made after our audit period and fieldwork had ended; and, these documents need to be evaluated by the Office of Elementary and Secondary Education to determine their acceptability.

FINDING NO. 2 – Funds were Improperly Allocated in School Year 2003-2004

The District inappropriately reserved funds prior to allocating funds to all Title I schools in 2003-2004 school year. Specifically, it reserved \$15,850 for "Contracted Services" for only two Title I schools and \$92,856 for replacement of computers at all schools. This condition occurred because the District wanted to ensure that funds were available for computers at all the Title I schools and for contracted services at two individual schools. As a result, \$108,706 spent for districtwide activities should have been allocated to the Title I schools.

According to 34 C.F.R. § 200.78 (b)(1), an LEA must allocate to each participating school attendance area or school an amount for each low-income child. Also according to 34 C.F.R. § 200.77, funds must be reserved for homeless, neglected, and delinquent children, or for qualified teachers, choice-related transportation, professional development, parental involvement, capital expenses for private school children, and other authorized activities, such as school improvement and coordinated services.

RECOMMENDATION

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the LDE to—

- 2.1 Verify the District's recalculation of the per child amount and that the \$108,706 was correctly allocated to the Title I schools.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

The LDE disagreed with our finding and recommendation although they acknowledged that the District revised its budget. The LDE stated, "The District allocated its remaining funds at \$450.00 per low income child in schools with poverty greater than 55%, \$400.00 per low income child in schools with 50%-55% poverty, and \$255.00 per low income child in schools below 50% poverty level. The \$15,850 for contracted services and the \$92,856 for computers are part of the school's allocations."

OIG'S RESPONSE

After reviewing the LDE's response, we did not change our finding but we did change our recommendation. We recommended that the LDE verify the District's recalculation of the per child amount and that the \$108,706 was correctly allocated to the Title I schools. After we identified the problem, the district provided a revised allocation to the Title I schools to the LDE. The LDE provided OIG this documentation on the revised budget after our audit period and fieldwork had ended. This documentation needs to be evaluated by the Office of Elementary and Secondary Education to determine their acceptability.

FINDING NO. 3 – Payroll Overpayment

The District charged Title I for \$8,752 in payroll costs and an estimated \$65 for fringe benefits costs that were unsupported by the semi-annual certification for one employee. This condition occurred because when the District obtained the semi-annual certifications for 2002-2003, the employee certified to working 50 percent of the time on Title I. However, Title I was charged 100 percent and no adjustment was made. As a result, the District charged Title I \$8,817 in salary and benefits that were not expended for Title I purposes.

OMB Circular A-87, *Attachment A, Paragraph C.3.a.* provides—

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the LDE to—

- 3.1 Refund to the Department of Education \$8,817 in Title I funds for salary and benefits overpaid.
- 3.2 Ensure the District follows its policies and procedures for collecting and maintaining supporting documentation for all expenditures.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

The LDE concurred with the finding and recommendations. In their response it states, "The District has refunded \$8,817 and has implemented procedures for collecting and maintaining supporting documentation for all expenditures."

OIG'S RESPONSE

We reviewed a copy of the check from the District to the State of Louisiana, Department of Education for the sum of \$8,817, and we also reviewed its procedures for collecting and maintaining supporting documentation. The OIG agrees with this corrective action.

FINDING NO. 4 – Duplicate Payment of \$16,908 was Requested and Received

The District received a duplicate payment of \$16,908 for equipment charged to Title I during 2002-2003 school year. This occurred because the District used its May 2003 reimbursement claim to complete its June 2003 reimbursement claim and failed to delete the additional request for equipment. Additionally, the LDE did not ensure that duplicate payments were not included in the District's request. As a result, the District received \$16,908 in Title I funds to which it was not entitled. During the course of our audit, the District took corrective action and submitted a check to the State of Louisiana refunding the \$16,908 in Title I funds. Therefore, we are not making a recommendation that these funds be returned.

RECOMMENDATION

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct the LDE to—

- 4.1 Review their reimbursement procedures and ensure that the District only receives reimbursement from the State for Title I funds expended during the applicable time period.

LOUISIANA DEPARTMENT OF EDUCATION'S COMMENTS

The LDE concurred with the finding and recommendation. In its response it states, "The District refunded \$16,908 on August 2, 2004."

Other Matters – Single Audit was not Filed with the Federal Audit Clearinghouse Timely

The District did not ensure the single audit or data collection form for Fiscal Year ending June 30, 2002 was submitted to the Federal Audit Clearinghouse within 30 days of receipt of the auditor's report or nine months after the end of the audit period as required by OMB Circular A-133, § .320(a). This condition occurred because the District, who is responsible for submitting the single audit and the data collection form, believed their Single Auditor submitted the information to the Federal Audit Clearinghouse. The Single Auditor did not maintain documentation that the report or form was submitted. The Single Auditor resubmitted the report on July 19, 2004. OIG reviewed the single audit for the fiscal year ending June 30, 2002 provided by the District. It was performed in a timely manner and there were no material findings regarding Title I. The District should ensure that future single audits and data collection forms are submitted to the Federal Audit Clearinghouse in a timely manner.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our overall objective was to determine whether the District properly accounted for and used ESEA, Title I funds in accordance with laws and regulations. Specifically, we determined whether (1) Title I expenditures were allowable, approved, properly documented, and only used for Title I schools; (2) semi-annual certifications were obtained and retained for non-schoolwide employees, and (3) Title I funds were properly allocated. Our audit period covered July 1, 2001, through December 31, 2003.

To accomplish our objective, we reviewed the District's grant application, budget narrative, project completion reports, monitoring review performed by the State, and single audit reports for the years ended June 30, 2001, 2002, and 2003. We also reviewed the District's procurement policies and procedures applicable to purchases paid with Title I funds. We interviewed various District employees responsible for the administration of the Title I program and various Department of Education officials. We reviewed how the District allocated Title I funds for award years 2001-2002, 2002-2003, and 2003-2004.

For testing purposes, we judgmentally selected a total of \$1,329,922 in expenditures from a total of \$1,983,549 reported during our audit period. For payroll expenditures we judgmentally selected transactions over \$1,000 resulting in testing \$1,148,618 for payroll paid to 73 of 168 employees whose salaries were charged to Title I. We reviewed the employee certifications, accounting, and payroll records.

For non-salary transactions, we judgmentally selected all transactions over \$1,000 resulting in testing \$181,304 for 45 from 640 transactions during our audit period. We reviewed the cancelled checks, proper approvals, and supporting documentation.

To achieve our audit objective, we relied, in part, on computer-processed data related to the Title I program contained in the District's accounting system. We verified the completeness of the data by comparing source records to computer-generated data, and verified the authenticity by

comparing computer-generated data to source documents. Based on these tests, we concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted our fieldwork at Beauregard Parish Public Schools Central Office between June 14, 2004, and June 23, 2004. We discussed the results of our audit with Beauregard Parish officials August 4, 2004. An exit conference was held with LDE officials on August 31, 2004. We performed our audit in accordance with generally accepted government auditing standards appropriate to the scope of audit described.

STATEMENT ON INTERNAL CONTROLS

As part of our review, we relied on testing of costs charged to the Title I grant to test internal controls. Our testing disclosed instances of non-compliance with Federal regulations, grant terms, and cost principles that led us to conclude that weaknesses existed in the District's controls over the Title I grant. Those weaknesses and their effects are discussed in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on the audit:

Raymond J. Simon
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with Freedom of Information Act (5 U.S.C §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

Jon E. Kucholtz /s/ (for)
Sherri L. Demmel
Regional Inspector General
for Audit



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION
POST OFFICE BOX 94064, BATON ROUGE, LOUISIANA 70804-9064
Toll Free #: 1-877-453-2721
<http://www.louisianaschools.net>

November 22, 2004

Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

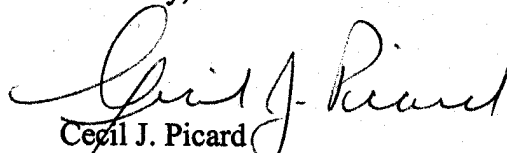
Dear Ms. Demmel:

On October 8, 2004, the Louisiana Department of Education (LDE) received Draft Audit Reports, ED-OIG/A06-E0012 and ED-OIG/A06-E0017 . The Louisiana Department of Education appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its draft audit report. This response was originally due thirty days after the date of the letter. On October 29, 2004, the LDE requested an extension to respond to the findings. The OIG granted the extension and required that this response be submitted no later than November 22, 2004.

Attached is a copy of the Louisiana Department of Education's response to the findings. If you have questions, please contact Dr. Robin G. Jarvis, Assistant Superintendent of the Office of Student and School Performance, at 225-342-3355 or use the toll-free number listed above.

Thank you for your cooperation.

Sincerely,


Cecil J. Picard
State Superintendent of Education

CJP:yyw

Enclosures

c: Robin G. Jarvis, Ph.D.
Beth Scioneaux

**Louisiana Department of Education
Response to Draft Audit Report: ED-OIG/A06-E0017**

Submitted to:
Sherri L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

The Louisiana Department of Education appreciates the opportunity to respond to the Office of Inspector General's (OIG) findings outlined in its October 7, 2004, draft audit report about the use of Title I funds administered by the Beauregard Parish School District. This response was originally due thirty days after the date of the letter.

The Louisiana Department of Education submits the following response to the findings contained in the audit report relative to Beauregard Parish School District.

I. Response to Finding 1: Certifications Were Not Completed for the 2001-2002 School Year

The finding concludes the District could not substantiate \$531,626 in payroll expenditures because it did not obtain semi-annual certifications for targeted assistance Title I employees for both terms of the 2001-2002 school year. OIG recommends the Louisiana Department of Education provide sufficient documentation to support the expenditures, or refund the amount to the U.S. Department of Education.

The Louisiana Department of Education disagrees with this finding. The teachers whose salaries are the subject of this finding were Title I teachers who spent 100% of their time on Title I activities.

Even though the District did not obtain semi-annual certifications, the U.S. Department of Education routinely accepts after-the-fact documentation to substantiate employees' time and attendance. The District employees at issue in this finding have reviewed their records, including calendars, e-mails, notes, correspondence, time records, task surveys, reports, and other grant-related documents. Based on these records, they have verified that they spent 100% of their time on Title I activities and have signed affidavits to that effect.

Both the General Education Provisions Act (GEPA) and the Education Department General Administrative Regulations (EDGAR) require the U.S. Department

of Education to use proportionality when requiring funds be returned to the federal government. In determining proportionality, the USDE must follow the principle that:

A recipient that made an unallowable expenditure or otherwise failed to account properly for funds shall return an amount that is proportional to the extent of the harm its violation caused to an identifiable Federal interest associated with the program under which it received the grant or cooperative agreement. 34 C.F.R. § 81.32(a)(1).

Since the employee affidavits establish that the District properly allocated and expended the questioned payroll charges, the Louisiana Department of Education should not be required to make any refunds.

Copies of the employee affidavits are attached.

II. Response to Finding 2: Funds were Improperly Allocated in School Year 2003-2004

The finding states the District inappropriately reserved funds prior to allocating funds to all Title I schools in the 2003-2004 school year.

The Louisiana Department of Education disagrees with this finding. The District properly reserved and then allocated Title I funds in accordance with Section 1113 of the Title I statute.

The District submitted Budget Revision #1 and a revised Attendance Area Selection Form to the Louisiana Department of Education on May 14, 2004. The District used the same measure of poverty (free and reduced lunch counts) for identifying, ranking, and determining the allocation for each eligible attendance area. The District does not have any schools above 75% poverty and has chosen to rank its eligible attendance areas from highest to lowest by grade span. Prior to allocating funds to the attendance areas, the District reserved funds for Administration, Homeless Children (Section 1113), Highly Qualified Professional Development (Section 1119), and Parental Involvement (Section 1118).

The District allocated its remaining funds at \$450.00 per low income child in schools with poverty greater than 55%; \$400.00 per low income child in schools with 50%-55% poverty, and \$255.00 per low income child in schools below 50% poverty. The \$15,850.00 for contracted services and the \$92,856.00 for computers are part of the school's allocations.

Copies of the approved budget revision and revised Attendance Area Selection Form are attached.

III. Response to Finding 3: Payroll Overpayment

The finding states the District charged the full amount of an employee's salary and fringe benefits to Title I when the employee only spent 50% of her (his) time on Title I activities.

The Louisiana Department of Education concurs with this finding. The District has refunded \$8,817 and has implemented procedures for collecting and maintaining supporting documentation for all expenditures. A copy of the check from Beauregard Parish to the Louisiana Department of Education for the refunded amount and a copy of the district procedures are attached as documentation.

IV. Response to Finding 4: Duplicate Payment of \$16,908 was Requested and Received

The finding states the District received a duplicate payment for \$16,908 for equipment charged to Title I during the 2002-2003 school year.

The Louisiana Department of Education concurs with this finding. A fiscal monitoring of Beauregard Parish School District was performed on May 3-5, 2004. During this monitoring, our staff noted Finding # T1-FY03-1: Property Expenditures Claimed Twice for Reimbursement. The Louisiana Department of Education recommended the District refund \$16,908.00. The District refunded \$16,908.00 on August 2, 2004. A copy of the check from Beauregard Parish to the Louisiana Department of Education for the refunded amount is attached as supporting documentation.